DOCUMENT RESUME

ED 382 336 PS 023 134

AUTHOR	Greenman, Jim; Johnson, Nancy
TITLE	Moving beyond a Cycle of Crisis: The Inner-City Child Care Marketplace.
INSTITUTION	Greater Minneapolis Day Care Association, MN.
SPONS AGENCY	McKnight Foundation, Minneapolis, MN.
PUB DATE	Sep 90
NOTE	51p.
PUB TYPE	Reports - Evaluative/Feasibility (142) -- Tests/Evaluation Instruments (160)
EDRS PRICE	MF01/PC03 Plus Postage.
DESCRIPTORS	*Day Care; *Day Care Centers; Early Childhood Education; Family Day Care; *Financial Support; Government Role; Infants; Inner City; *Integrated Services; Preschool Children; Supply and Demand; Toddlers; *Urban Problems
IDENTIFIERS	Reimbursement Programs; *Subsidized Child Care Services

ABSTRACT

The need for early education and care for the inner city population is growing to meet parents' needs for safe, affordable care, and to provide inner city children with the services they need. The Inner City Directions Project was funded to assess the viability of inner city programs in severe financial difficulty and to analyze the overall health of the inner city child care market. The report consists of 11 chapters: (1) an executive summary; (2) an introduction; (3) a description of the current inner city child care crisis; (4) the response to the crisis; (5) the inner city child care marketplace and organizations which play a major role; (6) demand issues impacting inner city education and care; (7) supply issues impacting inner city education and care; (8) the organizational and financial health of inner city child care centers; (9) emergency funding recommendations to the McKnight Foundation; (10) the impact of public policies and practices on inner city child care programs; and (11) recommendations. Project assessments found that: (1) many programs lack the organizational and financial management systems to maximize possible resources; (2) reimbursement rates based on an average market do not reflect the actual costs of providing a basic education and care service for inner city families; (3) selected Hennepin County policies and procedures have the effect of making care for subsidized families more costly than for fee paying clients; and (4) the special programming required to serve special needs children is more expensive and not adequately or equitably reimbursed through the current county special needs grants. Five appendices include a proposal for special reimbursement rates for centers serving at-risk inner city children; the survey and assessment tools used in the study; and summaries of the results of the organizational health assessments and the financial health assessments. The survey instrument is appended. (DR)

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ED 382 336

Moving Beyond

A Cycle of Crisis:

The Inner-City Child Care Marketplace

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY
Constance C. Bell
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

A Report by the Greater Minneapolis Day Care Association

BEST COPY AVAILABLE

PS 023134

MOVING BEYOND A CYCLE OF CRISIS: THE INNER CITY CHILD CARE MARKETPLACE

A Report by The Inner City Directions Project
September 1990
Funded by The McKnight Foundation

Published by the Greater Minneapolis Day Care Association
1628 Elliot Ave. So.
Minneapolis, MN 55404-1657
612/341-1177
612/341-4356
Fall 1994

MOVING BEYOND A CYCLE OF CRISIS

THE INNER CITY DIRECTIONS PROJECT:

In December, 1989, the McKnight Foundation funded the Greater Minneapolis Day Care Association in association with the Southside Child Care Committee to develop the Inner City Directions Project. The Project assessed the viability of inner city programs in Minneapolis, Minnesota which were in severe financial difficulty and analyzed issues and trends impacting the overall stability and financial health of the inner city child care market.

AUTHORS:

Jim Greenman, Inner City Directions Project Consultant
Nancy Johnson, Inner City Directions Project Director

ACKNOWLEDGEMENTS:

The following people made important contributions
to the research and drafting of this report:

Connie Bell
Norma Jean Falink
Cindy Kelley
Jan Krick
Cathy Mears
Beth Menninga
Jim Nicholie
Hazel Osborn

IN APPRECIATION:

The in-depth organizational assessments for this report would not have been possible without the extraordinary efforts and support from the directors of the participating inner city child care centers. They are among the many hard working, talented people committed to providing early education/care services for inner city children.

TABLE OF CONTENTS

	PAGE NO.
I. EXECUTIVE SUMMARY	1
II. INTRODUCTION	4
III. THE CURRENT INNER CITY CHILD CARE CRISIS	7
IV. THE RESPONSE TO THE CRISIS	7
V. THE INNER CITY CHILD CARE MARKETPLACE: ORGANIZATIONS WHICH PLAY A MAJOR ROLE	8
VI. DEMAND ISSUES IMPACTING INNER CITY EDUCATION/CARE	9
- IMPACT OF HENNEPIN COUNTY PARENT SUBSIDIES	
- IMPACT OF STATE AND FEDERAL SUBSIDIES	
- IMPORTANCE OF DIRECT SUBSIDY DOLLARS TO PROVIDERS	
- A "DIFFICULT TO SERVE" POPULATION	
- SERVING A LARGE PERCENTAGE OF "AT RISK" CHILDREN	
- PROJECTED DEMAND IN THE 1990'S	
VII. SUPPLY ISSUES IMPACTING INNER CITY EDUCATION/CARE	11
- ROLE OF FAMILY CHILD CARE IN THE MARKETPLACE	
- A PROBLEM OF SMALLNESS: CHALLENGES FOR SMALL CENTERS	
- SUPPORT FOR CHILD CARE SUPPLY	
- PROJECTED SUPPLY OF CHILD CARE IN THE 1990'S	
- DEVELOPMENTS THAT COULD IMPACT SUPPLY	
VIII. THE ORGANIZATIONAL AND FINANCIAL HEALTH OF INNER CITY CHILD CARE CENTERS	15
- DEPENDENCE ON SUBSIDIZED CLIENTS	15
- ORGANIZATIONAL HEALTH OF INNER CITY CENTERS	15
- INNER CITY DIRECTIONS CENTERS' STRENGTHS	16
IX. EMERGENCY FUNDING RECOMMENDATIONS TO THE MCKNGHT FOUNDATION	16
X. THE IMPACT OF PUBLIC POLICIES AND PRACTICES ON	

X. THE IMPACT OF PUBLIC POLICIES AND PRACTICES ON INNER CITY CHILD CARE PROGRAMS 17

HENNEPIN COUNTY AND OTHER FUNDERS COMMITMENT TO THE COMMUNITY 17

PROVIDER COMMITMENT TO THE COMMUNITY 17

POLICIES AND PROCEDURES THAT IMPACT THE SOUND FISCAL MANAGEMENT OF PROGRAMS 18

PROVIDER SOLUTIONS AND HENNEPIN COUNTY RESPONSES 19

1. The higher cost of care in the inner city
2. Payment policies for absences and holidays
3. Special needs grants to centers
4. Additional services provided by inner city centers
5. Termination notice
6. Payment for part time care
7. Timing of payments to providers

XI. RECOMMENDATIONS 23

CHILD CARE CENTERS AND FAMILY CHILD CARE PROVIDERS
HENNEPIN COUNTY
FOUNDATIONS AND THE UNITED WAY
CITY OF MINNEAPOLIS
STATE OF MINNESOTA
RELIGIOUS COMMUNITY
SUPPORT AGENCIES

XII. APPENDICES

A. PROPOSAL FOR A SPECIAL REIMBURSEMENT RATE FOR CENTERS SERVING "AT RISK" INNER CITY CHILDREN AND THEIR FAMILIES 27

B. RESULTS INNER CITY DIRECTIONS FAMILY CHILD CARE SURVEY 32

C. TOOLS DEVELOPED TO ASSESS ORGANIZATIONAL HEALTH 33

D. SUMMARY OF THE RESULTS OF THE ORGANIZATIONAL HEALTH ASSESSMENTS 41

E. SUMMARY OF THE FINANCIAL HEALTH ASSESSMENTS 43

I. EXECUTIVE SUMMARY

THE PROBLEM

In December, 1989, 12 child care centers and an undetermined number of family child care providers serving inner city neighborhoods in Minneapolis, Minnesota had seen their enrollments plummet by as much as half and were in serious financial difficulty. Hennepin County, facing overspending their child care budget, had instituted a freeze on child care subsidies in mid July, 1989, and by September the waiting list had grown to 3,500 families. From 6 - 10 centers representing up to 40% of care for inner city children were projecting possible closure in 1990 if the waiting list situation continued. Once closed, there was little chance of reopening centers or of new supply replacing the lost inner city licensed child care spaces.

The dilemma for providers of care in economically depressed areas and for public policy makers is this: Child care subsidies are critical for low income families to change parent need into demand. While the need for early education/care services is growing, when inadequate or fluctuating subsidy dollars are given to parents to maximize parent choice in the marketplace, subsidies are spread out over a large geographic area (e.g., Hennepin County). This situation periodically threatens the supply of education/care programs in low income neighborhoods which can not depend on families having subsidies or on families being able to pay for care. This marketplace failure has a disproportionately negative affect on programs striving to serve inner city families.

THE NEED FOR EDUCATION/CARE

The need for early education/care for families in the inner city is growing - both to meet parents' needs for safe, affordable care while they are working or in training and to provide inner city children with the early education services they need to grow and develop their potential to become contributing members of society.

The basic level of education/care for the inner city population has higher costs than the same level of care for a less stressed population. Inner city programs must deal with turnover in families, frequent family crises, referrals to other human service agencies, as well as developing ongoing communication with parents who have few resources, problems with transportation, often no phone service, and whose lives are stretched to the limit just maintaining jobs and family responsibilities.

Inner city centers and presumably many family child care providers are in continual financial crisis because of fluctuations in demand (subsidy) and inadequate reimbursement for services needed by inner city children and their families, particularly special needs programming.

The financial marginality and weak organizational capacity of many inner city programs keeps the supply of inner city child care in uncertainty and operating on a crisis to crisis basis.

THE ANALYSIS

The McKnight Foundation funded a special effort of the Greater Minneapolis Day Care Association called the Inner City Directions Project to assess the viability of the inner city programs in Minneapolis in severe financial difficulty and to analyze the overall health of the City's child care market. Moving Beyond A Cycle of Crisis is the final report of the Inner City Directions Project. The findings and recommendations of this report, while specific to Minneapolis and Hennepin County, also have relevancy for other inner city's or similarly economically depressed areas where concentrations of poverty make the delivery of early education/care challenging at best - and often a losing proposition financially. Although the quality of the services for children is a critical factor affected by underfunding, this report is primarily concerned with the ongoing supply of early education/care for inner city families.

The fundamental problem of the inner city child care market is a lack of adequate, stable funding to meet the growing needs for education/care. However, **WHETHER DOLLARS INCREASE OR NOT, IMPORTANT CHANGES ARE NECESSARY** to prevent, or at least significantly lessen, the overall marginality and crisis of inner city providers and to improve the services for inner city children and families.

The Project assessments found that:

-Many programs lack the organizational and financial management systems to maximize possible resources.

-Reimbursement rates based on an average market do not reflect the actual costs of providing a basic education/care service for inner city families.

-Selected Hennepin County policies and procedures have the effect of making care for subsidized families more costly than for fee paying clients.

-The special programming required to serve special needs children is more expensive and not adequately or equitably reimbursed through the current County special needs grants.

INNER CITY DIRECTIONS
PROJECT RECOMMENDATIONS

The availability of inner city child care must be analyzed from both a marketplace and a "vital service" perspective. Because of the complexities of the needs of inner city families and the critical roles that major fundors, both public and private, play, this report makes the following recommendations to improve the supply of inner city child care:

1. Child care reimbursement rates and County policies that reflect the actual costs of education/care - recognizing the higher costs of providing educational services poor children need and the higher costs of doing business in the inner city.

2. Funding and support for required organizational development to improve child care centers and homes as businesses and organizations.

3. Improved funding and coordination to enable centers to provide the special needs and family support services necessary to the inner city population.

4. Program changes to allow maximum flexibility in responding to fluctuations in demand while ensuring ongoing education/care choices for inner city children and their families.

II. INTRODUCTION

There is widespread recognition of the importance of early education/care to the lives of children, parents, and the society as a whole. The norm now is for mothers of young children to work outside the home, making early education/care services an essential part of many families' lives. Public policies encouraging women receiving welfare to enter the workforce and the growing numbers of single, low income mothers have increased the need for all day education/care for inner city families. Research demonstrates that early education is especially significant for children who are "at risk" for failure in school and later in life. This impact supports the need for providing care that is funded as early education.

Moving Beyond A Cycle of Crisis looks at child care as a marketplace - an economic system where child care services are bought and sold. The crisis in inner city child care in Minneapolis illustrates the failure of market forces to adequately address affordability, availability and quality of early education/care services for inner city children. Those concerned with inner city child care face these issues: Will short term fluctuations in the demand for child care permanently reduce the supply of child care available in the inner city? Will underfunded programs serving low income populations be forced to function at below basic levels for education/care?

THE INNER CITY CHILD CARE CRISIS

Inner city education/care programs operate in a perpetual climate of crisis - sometimes low level crisis, sometimes life or death struggle. In December, 1989, 12 child care centers and an undetermined number of family child care providers serving inner city neighborhoods had seen their enrollments plummet by as much as half and were in serious financial difficulty. Hennepin County, facing overspending their child care budget, had instituted a freeze on child care subsidies in mid July, 1989, and by September the waiting list had grown to 3,500 families. From 6 - 10 centers representing up to 40% of care for inner city children were projecting possible closure in 1990 if the waiting list situation continued. Once closed, there was little chance of reopening centers or of new supply replacing the lost inner city licensed child care spaces.

THE NEED FOR EDUCATION/CARE:

The need for early education/care for families in the inner city is growing - both to meet parents' needs for safe, affordable care while they are working or in training and to provide inner city children with the early education services they need to grow and develop their potential to become contributing members of society.

Inner city centers and presumably many family child care providers are in continual financial crisis because of fluctuations in demand (subsidy) and inadequate reimbursement for services needed by inner city children and their families, particularly special needs programming.

THE INNER CITY DIRECTIONS PROJECT

The McKnight Foundation funded the Greater Minneapolis Day Care Association to develop the Inner City Directions Project. The Project was to assess the viability of the inner city programs in severe financial difficulty and to analyze the overall health of the inner city child care market. Moving Beyond A Cycle of Crisis is the final report of the Inner City Directions Project.

RESULTS OF PROJECT ASSESSMENTS

The Project assessments of inner city programs found that:

- -Many programs lack the organizational and financial management systems to maximize possible resources.
- -Reimbursement rates based on an average market do not reflect the actual costs of providing a basic education/care service for inner city families.
- -Selected Hennepin County policies and procedures have the effect of making care for subsidized families more costly than for fee paying clients.
- -The special programming required to serve special needs children is more expensive and not adequately or equitably reimbursed through the current County special needs grants.

TOO MUCH NEED: TOO FEW DOLLARS

Minnesota is a leader in the country with a public and private commitment to child care. Everyone involved: the state, county, city, providers, other funders, and parents understand that not enough is being done and the fundamental problem is that there is simply not enough money to provide the quality of child care service necessary to all the children and families who need all day early education/care services.

THE BEST USE OF CURRENT DOLLARS

The long term goal for Minnesota's families is a fully funded, coordinated early education/care system. The short term necessity is to maximize possible resources and make the best use of those available now. This report considers the best use of current dollars for families in the inner city. While a concern for quality of services underlies this report, the focus is on the long term financial viability and organizational health which impact the continued availability of services. The two largest professional associations serving the early childhood industry, The National Association for the Education of Young Children and The National Family Child Care Association are both involved in accrediting the overall program quality of centers (NAEYC) and family child care homes (NAFCC). The Greater Minneapolis Day Care Association uses a nationally recognized tool, The Harms and Clifford Early Childhood Environment Rating Scale to assess program quality for centers and family child care providers applying for grant and loan programs. These efforts to assess the quality of care will undoubtably highlight ongoing funding roles for both the public and private sectors to ensure the quality of early education/care.

Funded by the McKnight Foundation to inform the array of decision-makers that influence the working of the inner city child care market place, **Moving Beyond A Cycle of Crisis** looks at the following:

- **Organizations which play a major role in the inner city child care marketplace**
- **The current crisis in inner city child care**
- **The forces that shape the inner city child care marketplace**
- **The organizational health of centers on the financial edge**
- **The impact of Hennepin County policies on child care providers**
- **Recommendations for child care center directions; policies changes and funding support from Hennepin County, the City of Minneapolis, and the State of Minnesota; roles for supporting agencies, foundations, the United Way, and the religious community.**

III. THE CURRENT INNER CITY CHILD CARE CRISIS

In the fall of 1989, Hennepin County, which includes the City of Minneapolis and is the largest county in Minnesota, had 3,500 families on a waiting list for child care subsidies. This subsidy freeze had been in place since mid July. At the same time, funding for children with special needs was restricted to temporary placements in only the most desperate situations. The continuing freeze created serious drops in enrollment for programs serving low income neighborhoods as families with child care subsidies left and were not replaced by new subsidized clients. Several months after the freeze was instituted, over a dozen centers and an undetermined number of family child care homes in the inner city were in serious financial difficulty. Anywhere from 6-10 centers were projecting possible closure in 1990 if the subsidy freeze continued. These providers represented as much as 40% of the child care in the inner city.

Child care programs in economically stressed areas are dependent on public subsidy to provide low income families the purchasing power to utilize their services. When the County projects that their child care budget will be overspent and initiates a freeze on families entering the system, programs are thrown into financial crisis as enrollments sharply decline. The break-even margin in child care is typically thin with poor cash flow common; so a drop in enrollment of even a few children is a serious problem.

The public policy dilemma is that if centers or homes in the inner city are forced to close based on restricted demand, there will be a severe shortage of care once the freeze is lifted and new families are given subsidy - need is translated into demand. Once closed, centers are likely to stay closed and new programs are unlikely to enter the inner city. Center start-up is an expensive and risk-laden process. Whether family child care supply - legal and illegal - increases if center supply diminishes involves a number of variables that require further study. Although less costly than center start ups, the system to license new family child care providers is so backlogged, (with an average wait of more than 6 months), that family care responses to changes in demand are not immediate.

IV. THE RESPONSE TO THE CRISIS

In December, 1989, the City of Minneapolis provided $490,000 for emergency funding for child care subsidy. The McKnight Foundation provided an additional $100,000 emergency fund. McKnight also funded the Inner City Directions Project to establish a process to

1) analyze the Minneapolis inner city child care market place,
2) assess the organizational health of inner city child care centers for funders,
3) assess the impact and make recommendations for changes in policies and procedures of public funders,
4) facilitate centers' efforts to adapt to the hard realities of unstable child care demand.

McKnight's funding of the Inner City Directions Project was a recognition that public funding of child care was likely to continue to expand and contract for the foreseeable future. The potential for periodic crisis like the present crisis was high. The supply of child care for low income families has to expand and contract accordingly. Centers have to weather changes in the child care marketplace if the inner city is to have options of center care in the long term. The survival of centers may require restructuring, merging or new relationships between programs as well as policy, rate and/or grant changes from Hennepin County and more management assistance from supporting agencies like the Greater Minneapolis Day Care Association (GMDCA), the Southside Child Care Committee, and the Inner City Child Care Consortium. There will also need to be an expanded role from other contributors to the education/care system: the United Way, churches, corporations, and foundations.

V. THE INNER CITY CHILD CARE MARKETPLACE

ORGANIZATIONS WHICH PLAY A MAJOR ROLE IN INNER CITY CHILD CARE

From a systems perspective, Minneapolis inner city communities are fortunate to have a mixture of program options for all day education/care services for young children: small neighborhood based centers, large centers, independent and agency sponsored centers and family child care homes. These programs do afford a degree of parent choice. However, there are simply too few dollars available, given the growing needs of poor children and of low income parents who are working, in training, and in treatment. The constant under-funding of the need keeps demand uncertain and doesn't allow child care providers to break out of the marginality that subjects them to ever present crisis (or many would argue, to provide the quality of education/care that inner city children need and deserve).

Child care providers operate in an environment of support from the City, County, State, foundations, the United Way, and the supporting agencies: Greater Minneapolis Day Care Association (GMDCA), Child Care Resource Center (CCRC), Southside Child Care Committee (SCCC), and the Inner City Child Care Consortium (ICCCC). All the pieces are in place, playing essentially the appropriate (though underfunded) roles:

CITY OF MINNEAPOLIS: Supplemental, limited funding of families, directed funding to centers for facilities, emergency funding, funding of support agencies, renovation funds for homes and centers, support for Recreation Plus school age programs, and coordination of codes and regulations to ensure the growth and safety of child care supply.

HENNEPIN COUNTY: Funding of low income families, special needs grants to centers, funding of support agencies, licensing family child care providers.

STATE OF MINNESOTA: Funding of low income families, limited grants to centers and homes, funding of support agencies, licensing centers.

UNITED WAY AND FOUNDATIONS: Funding of support agencies for special services and supports, funding a limited number of centers, filling gaps, providing community education on the problems.

RELIGIOUS COMMUNITY: Sponsoring and housing child care programs, providing church/center partnerships, grants and volunteers, and raising awareness in the religious community of the needs of young children.

GMDCA, SCCC, ICCCC: Providing parent education and referral and subsidies information, providing training and technical assistance to homes and centers, facilitating peer support, allocating funding to programs, initiating programs to meet unmet needs, and advocating for the needs of young children, parents, and care providers.

VI. DEMAND ISSUES IMPACTING INNER CITY EDUCATION/CARE

It is of critical importance to recognize that there is an inner city child care "marketplace": that is, child care is bought and sold. To understand the forces impacting inner city child care providers it is essential to think in terms of supply and demand for services, competition, and market niches relating to location, services, and quality. Both the supply and demand have special characteristics.

Most of the demand in the inner city comes from families subsidized by Hennepin County and other public and private subsidy. Some demand comes from low and moderate income families struggling to afford child care.

NOTE: It is important to distinguish "need" from "demand" for service. There is continual need for child care services - parents who need and want child care, and often this need is represented on center waiting lists, statistics from the Child Care Information Network and the Hennepin County Subsidy waiting list. But it is not a "demand" backed up by funding. These parents cannot purchase care without assistance. To change from "need" to "demand", subsidy must be available to pay for the service.

THE IMPACT OF HENNEPIN COUNTY PARENT SUBSIDIES

Because a large proportion of the inner city demand is based on Hennepin County, State Sliding Fee, Parents Assistance Fund, and other subsidies tied to parent need, increases and decreases in public funding have a large effect on the economics of centers and family child care homes. Rate and eligibility policies, the timing of the flow of funding for subsidy, and eligibility requirements for parents also have important effects on providers' financial well being.

THE IMPACT OF STATE SUBSIDIES

The Minnesota State Child Care Fund has increased from $1.6 million to $36 million in just 5 years and yet has not kept pace with the growing need for subsidy. As the Minnesota State Legislature has initiated programs for welfare system changes and has responded to Federal child care monies available for moving women off welfare, more and more dollars have been targeted to this population, leaving out the working poor. Changes in the priority groups for receiving child care subsidies creates havoc for parents and children and programs who must constantly shift their services, programming and networking strategies to stay full.

THE IMPORTANCE OF DIRECT SUBSIDY DOLLARS TO PROVIDERS

The majority of inner city centers and selected family child care providers receive Community Development Block Grant funding for children of low income parents. A few centers receive subsidy from the Minneapolis Community Action Agency and the United Way. These dollars are very important to programs because the provider controls the monies and directly funds parents, rather than waiting for subsidized parents to select them. Judiciously used, they are "additional" dollars, adding to the enrollment and total fee income. Although this does put some restrictions on parent choice, it also ensures that in areas of concentrated need, a selection of programs can continue to exist which also serves parent choice.

A "DIFFICULT TO SERVE" POPULATION"

A significant proportion of families that make up the demand for inner city child care are "difficult to serve": struggling with inadequate income, housing, health care and transportation. Some struggle with chemical dependency, family violence and other effects of hard lives. Out of the "difficult to serve" population, there is a higher percentage of Hennepin County defined "special needs" children in the inner city than in other population areas. This means that children are designated as "special needs" and placed in child care both because of the child's issues with developmental delays and because of family need such as a parent who is attending a drug treatment program or because the child was abused.

SERVING A LARGE PERCENTAGE OF "AT RISK" CHILDREN

Many inner city children are, by definition, "at risk" for failure in school and society using the Minnesota Early Intervention Committee's guidelines for children who are at risk for developing a disabling condition. The general definition for "at risk" children are those whose situation includes two of the following: (See appendix for full definition)

* A child whose parents, due to a condition, disability, or age may require support to fulfill parental responsibilities.
* A child-related factor, such as a child whose overall developmental progress is of concern to parents and/or professionals.
* A health situation which increases the likelihood of developmental delay in a child.

The consequence of serving "at risk" children is that as a group they require more adult attention, highly sensitive environments, specialized equipment and materials, and referrals to and communication with outside professionals (such as speech therapists). All of these "interventions" increase the costs of adequately serving this population.

PROJECTED DEMAND IN THE 1990'S

* The need for inner city child care will continue to grow.

* The actual demand for child care will grow because of likely increases in public funding through federal, state, and local actions.

* Demand will fluctuate due to fluctuations in the pace, distribution, and total amount of funding available.

VII. SUPPLY ISSUES IMPACTING INNER CITY EDUCATION/CARE

There are 42 all day centers serving the inner city in 1990. 80% of these centers are non-profit. 25 are independent centers and 17 are sponsored by churches or human services agencies. Center size ranges from 25 children to over 100.

The entire city's licensed child care capacity increased to 12,871 spaces in 1990, an increase of 8.4% from 1989. The largest growth in licensed capacity has been in family child care which increased from 606 homes providing 5,224 spaces in 1989 to 642 homes with 5,623 spaces in 1990. For the same period, all day center capacity increased only slightly - 6.2% - from 75 facilities with 3,878 spaces to 77 with 4,117 spaces. Half-day centers declined from 39 in 1985 to 35 in 1990, reflecting the growing need for all day care and the impact of Head Start's growth in Minneapolis. In 1986, Head Start served 477 children with free, part-day education/care. Head Start now serves 840 children with care for part of their day although many children are then bussed to child care providers for the remainder of their day.

Another significant change in supply over the past several years has been the Recreation Plus Program in the city's parks. This very inexpensive after school option at 23 different sites served over 500 children in 1989

While most of the inner city centers are in declining facilities in declining neighborhoods, they are established programs with a history of child care service. The need for all day, education/care services has grown tremendously in the past decade and the modest increases in supply tied to demand do not meet this need. Centers and homes aren't able to maintain full enrollment not because there is an oversupply related to need but because of inadequacy and fluctuations in funding to stabilize demand.

There are only several instances of competition: i.e., several centers close together serving the same market, offering similar services. From a child and family needs perspective there is not enough care and from a consumer perspective, there is little choice.

THE ROLE OF FAMILY CHILD CARE IN THE CHILD CARE MARKETPLACE

The role of family child care in the inner city has not been adequately studied by the Inner City Directions Project or others. Within the budget and time constraints of this Project, we were able to look at the impact of County policies and procedures on family care providers and the financial impact of caring for special needs children. These results appear in later sections of this report.

Clearly, inner city child care homes provide a substantial amount of care. Providers in the marketplace include licensed, legally unlicensed, and illegal providers. What is not known is how the demand and the supply were affected by the current crisis, short term or long term. Homes must have lost income and some must have decided to leave the field. How many is unknown. Illegal, unlicensed homes may have picked up children as low income families no longer get subsidy for legal homes. As funding increases, will supply of licensed care serving inner city families expand? Presumably, but this too is unknown. Child care homes would seem to be important as a flexible response to changes in demand. Whether this is actually so is not clear and as mentioned earlier, currently there is a long wait to become licensed.

A PROBLEM OF SMALLNESS: CHALLENGES FOR SMALL INNER CITY CENTERS

Small, independent centers in the inner city have all the problems associated with any small business in the inner city: poor cash flow, inability to support higher salaries, rent, or administrative overhead. A rent increase, a defunct refrigerator, or slight changes in customer usage may result in serious financial problems. For a small child care center, the loss of 2 or 3 children may result in a 10% drop in revenue.

While some inner city businesses may be able to raise prices because of the lack of competition, many, including child care, cannot because the customers cannot afford to pay more.

Centers connected with a larger organization - church, school, or human service agency - are decidedly better off in almost all economic senses: cash flow, fluctuations in income and expense, fundraising potential.

Homes, as a cottage industry, have somewhat similar problems even though individual adaptions may be more readily available. Probably the hardest hit are family child care providers who are single parents with no other source of income. Some providers may weather demand fluctuations by doing part time work outside the home or by relying on AFDC.

Why do inner city businesses continue to exist, given the risk and low return? In most other cases, there is a commitment to the neighborhood, and/or the rewards of a family business. Salaries may be low or non-existent but the enterprise supports the family. The owners settle for this or close up shop. The replacement of corner stores with Super Americas, the prevalence of Southeast Asian restaurants as the common neighborhood restaurants, and the ongoing demise of the small independent business in the inner city (and elsewhere) have great relevance for child care operators.

Smallness and independence may be positive characteristics from a standpoint of quality, parent involvement or community; however, smallness has disadvantages for economies of scale, marketing, etc. For the survival of the center, smallness must have value in the eyes of fundors and consumers who are willing to pay more for a small program. If not, staff must be willing to accept the consequences of budgets unable to sustain decent compensation, and parent boards or owners must live with a permanently tight financial situation and struggling existence.

CENTERS ARE PROBABLY FACED WITH THREE CHOICES:

1) To offset the cost of smallness, develop the ability to charge higher prices - to parents, the County, or whoever subsidizes parents.

2) Accept the necessity of tight budgets, low compensation for staff and limited administrative support.

3) Merge with other programs or agencies, develop new affiliations or consortiums, expand when possible, or eventually close.

SUPPORTS FOR CHILD CARE SUPPLY

Minnesota's Basic Sliding Fee Child Care Fund together with subsidies for parents eligible for Minnesota's welfare reform program, STRIDE, or AFDC transition year child care, provide the primary funding support for low income parents to afford child care. Some Minneapolis child care centers also receive financial and organizational supports from the following public and private sources:

- City funding for facility improvements
- Hennepin County grants for on-site special needs coordinators
- State Department of Human Services grants for start-up and program improvements
- Foundation and/or United Way funding for special services or to serve special populations
- Information and referral, staff training, and other support services from the Greater Minneapolis Day Care Association, Southside Child Care Committee and the Child Care Resource Center.

These supports are designed to provide parents more effective access to the marketplace and help in deciding the right program "fit" for their child (Information and Referral), as well as to improve the supply and quality of services to families.

PROJECTED SUPPLY OF CHILD CARE IN THE 1990'S

It is impossible to predict the future adequacy of supply. The type, quality, and quantity of supply will depend on the amount and nature of public funding. Adequate supply will generally depend on:

* Consistent, adequate subsidy to fund children from low and moderate income families, particularly as rates rise to reflect the actual costs of care.

* Continued availability of some funding for subsidy channelled directly to centers serving stressed populations needing additional services.

* Facilities grants to renovate, relocate, or build facilities

DEVELOPMENTS THAT COULD HAVE A DIRECT AND SERIOUS IMPACT ON THE SUPPLY OF CHILD CARE:

Staff Turnover

A worsening child care labor crisis will impact on supply. Some centers may not be able to staff their program at existing levels of compensation. The problems of staff turnover and inability to attract qualified people to the field are directly related to the compensation issue. Fees will have to increase to find and retain teachers which will affect demand and ultimately impact supply.

HEAD START AND THE PUBLIC SCHOOLS

National legislation may bring Head Start and the public schools into child care as major suppliers for 3, 4, and 5 year olds, with serious consequences for inner city centers. Head Start may offer free child care for 3 & 4 year olds while public schools may provide free or reduced priced child care for school age children. If this happens the delicate micro-economies of inner city child care providers would be severely threatened. Providers cannot balance budgets without full preschool and schoolage components as these age groups with their lower adult : child ratios (1:10 & 1:15) balance the higher cost of infant and toddler care at higher ratios (1:4 & 1:7). Some providers would go out of business which would also eliminate their infant, toddler and young preschool slots, thus reducing child care in the inner city.

CHILD CARE AS EARLY EDUCATION

The extent that child care centers and homes are recognized and funded as major suppliers of ***EARLY EDUCATION SERVICES*** to children whose parents are working, in training, or in treatment will affect child care supply. The artificial distinction between early education and child care is a fiction weighted in history and maintained by a lack of clear understanding by public officials, community leadership, and many professionals.

CHILD CARE IS EARLY EDUCATION IN A FULL OR EXTENDED DAY SETTING.

Whether the care is good early education is dependent on the funding, just as it is in Head Start, schools or other part-day settings. But ***PART DAY*** programs that have been labeled as early education ***DO NOT*** meet parents' child care needs.

TO MEET THE EARLY EDUCATION NEEDS OF CHILDREN OF WORKING PARENTS, FUNDING FOR EDUCATIONAL PROGRAMMING ABOVE BASIC CHILD CARE FUNDING SHOULD BE ALLOCATED TO CHILD CARE PROGRAMS. POLICY MAKERS AND FUNDORS SHOULD NOT CONFUSE FUNDING HALF DAY PROGRAMS WITH MEETING CHILDREN'S ALL DAY EDUCATION/ CARE NEEDS.

VIII. THE ORGANIZATIONAL HEALTH OF OF INNER CITY CHILD CARE

After completing the Organizational Health Analysis on 9 centers, and working with other inner city centers, the following patterns became clear:

DEPENDENCE ON SUBSIDIZED CLIENTS

The financial well being of all the centers will depend on subsidized clients for the foreseeable future. While centers should work harder to attract moderate or middle-income families, low income families who qualify for Hennepin County subsidies will in every case represent a significant percentage of families (a percentage that will "make or break" the center).

ORGANIZATIONAL CONDITION OF CENTERS

Management weaknesses of small businesses and organizations are not exclusive to child care centers. The shortcomings we encountered very definitely are not a reflection on the people in child care but on the lack of resources and support available to them; however, because of the crisis management mode of many programs, directors lacked the time or knowledge of how to utilize possible resources. As a result of their participation in this Project, many of the centers made substantial improvements in their financial management, organizational systems and planning for the future.

Organizationally and financially, the centers in the Inner City Directions Project were almost (but not all) ill-equipped to foresee or adjust to the crisis in enrollment:

1) Most centers had weak organizational structures. Many did not have functioning boards. For those centers that do have boards, the members knowledge of center operations and their role as board members is minimal. All leadership, planning, budgeting, fundraising, and management depended on the director and director turnover is a problem for some centers.

2) Directors and the few active board members had little background in or understanding of organizational management issues. All of these centers were started to meet a program/service need of providing early education/care for low income neighborhoods. They have not focussed on the "business" of doing child care and consequently have not taken advantage of opportunities to strengthen or improve as businesses while still fulfilling their mission of services for children.

3) Financial management was particularly weak. Some centers had no yearly operating budget, many did not monitor monthly income and expense statements, some did not know their cost per child per age group, and none of the centers made cash flow projections. Money came in, money went out. Costs of doing business such as bad debt losses, equipment and building improvements and replacement, marketing, and vacancy rates were typically missing from their budget projections. The financial reports that existed in centers with bookkeepers were often not understood by the director.

4) Services were typically shaped by the past, and not evaluated for present or future viability. There was very little long term thinking or planning based on how the needs of the community might be changing relating to family demographics, competition, ages for care, hours, discounts, etc.
Internal resources of staff, parents, location, etc. were often undeveloped.

INNER CITY DIRECTIONS
CENTERS' STRENGTHS

Almost all of the participating inner city centers possessed the basic strengths inherent in being survivors:

* They know how to exist on scarce resources.

* They have daily relationships with most parents that foster strong bonds and, in many cases, lead to parent involvement.

* They respond to crisis by aggressively seeking help.

IX. EMERGENCY FUNDING RECOMMENDATIONS TO THE MCKNIGHT FOUNDATION

The two overriding problems shared by all of the centers are:

1) the boom and bust nature of public subsidy dollars and
2) reimbursement rates based on a "market" for care that doesn't reflect the real costs of providing adequate care for inner city children.

After much deliberation, and changes implemented by some of the centers, the Project recommended emergency funding for all of the centers. These emergency funds enabled centers to continue operating while analyzing their situation and implementing changes. All of the participants have been developing two year survival plans which include improvements in organizational structures, better fiscal management, and stabilizing enrollment through evaluation of current services and improved marketing.

While not a requirement for the emergency funds, it was felt that in the future, funders should begin requiring a two to three year business plan for any center requesting financial support. The plan should project the center's contingent futures and how the center plans to balance revenue and expenses, evaluating their current delivery of service systems. Small independent centers should be encouraged to explore mergers or consortiums to increase their viability.

X. IMPACT OF PUBLIC POLICIES AND PRACTICES ON INNER CITY CHILD CARE PROGRAMS

Those who subsidize care and those who provide care share the same goals. However, there are inherent tensions between child care providers and the public (or private) institutions that subsidize low income parents. Many of these are customer/supplier tensions over price and service, similar to those that exist between fee-paying parents and child care providers.

HENNEPIN COUNTY AND OTHER FUNDERS' COMMITMENT TO THE COMMUNITY

The City of Minneapolis, Hennepin County, and the State of Minnesota have well deserved reputations nationally for supporting child care. They struggle with balancing the following fundamental concerns:

1) Serving the highest numbers of clients (while still not meeting the need), resulting in less costly but less adequate service levels and shifting some financial burdens to service providers

or

Serving fewer clients with higher reimbursement rates and more flexible reimbursement policies for providers to support the long term viability of inner city programs.

2) Funding the higher than "custodial care" costs of early education in all day or extended day settings to meet children's early education needs.

3) Maintaining parent choice for low income families receiving child care subsidies through providing vouchers for specific families

or

Maintaining a stable supply of providers serving neighborhoods throughout the City by funding some direct grants to maintain the supply.

4) Ensuring provider and parent accountability for the best use of public dollars.

PROVIDER COMMITMENT TO THE COMMUNITY

It is important to recognize that child care providers who serve publicly subsidized parents typically do so because of their commitment to the clients and the community, as well as for business reasons - jobs. They do so recognizing that subsidized clients and low and moderate income families and "at risk" and special needs children are often "difficult to serve" compared to middle and upper income private fee paying clients.

POLICIES AND PROCEDURES THAT IMPACT THE SOUND FISCAL MANAGEMENT OF PROGRAMS

The Inner City Directions staff surveyed centers and homes on what policies and administrative procedures had a large effect on their ability to operate their programs in a cost effective and business-like manner.

Inner City Directions staff then met with Hennepin County staff Mike Weber, Roger Engstrom, Nancy Wiggins, and Jim Slyman to share the issues raised in the survey and hear the County's perspective on these issues. County staff were knowledgeable about provider concerns and sympathetic to the impact of County policies and procedures.

In both discussions with providers and County staff there was an absence of good guy/bad guy rhetoric. Instead there was a shared sense of trying to make reasonable accommodations to the fundamental problem: too much unmet need for service, too few dollars, and not enough dollars to fund the service level necessary (and in many cases, already being provided).

Both Hennepin County and providers share a concern that County clients and private fee paying parents be treated alike, although not always over the same issues. As a large customer for service, Hennepin County wants to ensure that they are receiving the most for their dollars and not being taken advantage of as a large third party customer. They want a fair market rate for their clients.

Providers want policies that are manageable administratively and allow them to continue to provide County clients with services. (See Appendix # : Inner City Directions Family Child Care Survey Results.) They also want a fair rate for the services they provide based on the actual cost of providing basic education/care to inner city families. The higher cost of providing care in the inner city is based on three factors:

* County policies and procedures that impact on costs.

* A higher percentage of "difficult to serve" children and parents in the inner city.

* Additional family support services provided by inner city centers due to the particular clientele.

PROVIDER SOLUTIONS AND HENNEPIN COUNTY RESPONSES

1. THE HIGHER COST OF CARE IN THE INNER CITY

ISSUE: There is a higher cost to providing child care in the inner city due largely to the higher percentage of difficult to serve families and "at risk" children. Declining facilities and declining neighborhoods, and a more transient population are other factors that add to the difficulty. To achieve THE SAME QUALITY of outcomes experienced by other children and families not in the inner city requires a costlier service: usually better than minimum staff-child ratios, and additional staff support beyond the director and teaching staff.

NOTE: This is not the same as suggesting that inner city children and families require more services or higher quality services to produce better quality outcomes to offset the effects of poverty. That is a separate, legitimate policy issue addressed below. The point here is that a disproportionate number of inner city children and parents require more effort and resources to produce the basic service - all day education/care - because children and parents need more individual attention and because of the extent and complexity of their needs. One's ideology determines whether inner city families are considered socially, economically, educationally and/or culturally "disadvantaged", "needy", or "oppressed"; however, there is general consensus that providing services to inner city families requires more effort and expense.

The maximum rate is based on an average of child care rates from the entire Hennepin County child care marketplace. The majority of centers serve children and families subject to very different and less stressful conditions.

IMPACT: Either inner city clients receive less than basic early education/care or providers subsidize Hennepin County clients by maintaining low staff compensation, contributing uncompensated time and increasing their stress to make up the difference. The Inner City Directions Project found many instances of both.

PROVIDER SOLUTION: An inner city child care rate or special grants paid to providers serving a large proportion of "at risk" children, reflecting the higher cost of basic education/care. A cost of care rate would also resolve some issues of payment policies. The State Legislature has passed enabling legislation for counties to institute higher reimbursement rates for providers working with children who have special needs.

HENNEPIN COUNTY RESPONSE: Hennepin County has encouraged providers to develop a proposal which includes a "typical" budget for an inner city center serving "at risk" children with special needs for edu/caring. This proposal, and the suggested rates, are Appendix .

This rate issue must also be addressed for family child care providers caring for children from the "at risk" population. The same problems of serving both children and parents with multiple stresses in their lives are shared by family providers. However, how the numbers of children in care and the different level of service necessary should be reflected in reimbursement rates needs further study. The Greater Minneapolis Day Care Association, in conjunction with the Family Child Care Association, is researching this problem.

2. PAYMENT POLICIES FOR ABSENCES AND HOLIDAYS

ISSUE: Most providers charge for slots based on enrollment, not attendance, and for holidays.

Hennepin County absence and holiday policies limit payment for absences and holidays.

IMPACT: Providers lose revenue on County clients with high absentee rates.

PROVIDER SOLUTION:

1. Hennepin County pays for the slot and regulates client attendance by other means than penalizing providers.

or

2. Provider charge the County a higher rate based on an assumption of less guaranteed revenue per slot and the maximum rate is changed to reflect this.

HENNEPIN COUNTY RESPONSE: At the time of our meeting, Hennepin County staff agreed with provider solution #1 if that was the provider's policy. County subsidized clients would be bound by provider policies. This policy appeared in the June 26 draft of the Hennepin County Child Care Policy statement. Subsequently it appears that the County is backing away from that position. At this time it is unclear what the County will do in its plan to be submitted to the State, which requires that market practice be accepted.

3. SPECIAL NEEDS GRANTS

ISSUE: Hennepin County provides a number of centers with grants to better serve children designated for services because of family circumstances. These grants may be used to hire a special needs coordinator, improve ratios, provide therapeutic services, purchase equipment, or can be used in other ways the County and the provider agree upon. This approach appears to be successful but there are too few dollars to go to all potentially eligible centers and family child care providers are not included in these grants. Current allocations of the grants are based on historical patterns and are not perceived as fair or requiring enough accountability for effective use of the dollars.

There are also no funds to improve services for children with special needs who are not referred through the County. These are the children who, because of their own childhood deprivation, require more individualized attention, special curriculum, small group sizes, special materials, and stable, experienced staff in order to make good progress in early education/care settings.

The Project conducted a survey which indicates that serving this population has increased costs and stresses for family care providers for which they are not being compensated. Providers mentioned the impact on their business from serving special needs children because of limited enrollment, loss of enrolled or potential clients, purchase of special training and equipment, and an increased workload. Although providers indicated a strong commitment to serving this population in spite of the personal and financial burdens, the survey demonstrates that care for children with special needs would be more available if the needs of the providers were better met by the community.

IMPACT: Providing care for children with special needs increases costs, work loads and contributes to loss of enrolled or potential clients. Some centers and family child care providers are unable to offer special needs child care, or they offer the care but are not reimbursed for the added costs.

SOLUTION: A county/provider long range plan to increase and redistribute the dollars. Setting a date two or three years in the future will mitigate the inevitable hardship and dissent.

4. ADDITIONAL SERVICES PROVIDED BY INNER CITY CENTERS

ISSUE: In part as a function of the magnitude of parent need, the commitment of providers, and the history and traditions of the center, additional services to children and parents are provided in a number of inner city centers. These services include: parenting education/support; crisis services to families - counseling, connecting (more than referring) to resources to help with problems of housing, food, drug and alcohol treatment, employment, and special needs therapeutic services.

NOTE: From the perspective of children and families, providing family support services at the child care site is vastly superior to any alternative. Busing 3 year olds or even younger, requiring parents to go to different locations and relate to different staff and programs is both needlessly burdensome and has negative side effects.

IMPACT: Providing these services taxes the centers' scarcest resource: time - administrative and teacher time.

SOLUTION: 1. Grants to provide services
2. Higher rates for centers that provide services.

At the meeting with Inner City Directions Project staff, Hennepin County staff indicated interest in proposals for Neighborhood Service Grants to develop family resources in child care centers.

5. TERMINATION NOTICE

ISSUE: Despite a two week notice policy, providers often receive no notice from County clients. Unlike private fee-paying clients, there is no deposit or advance fee payment policy to protect the provider.

IMPACT: The provider loses 2 or more weeks of fees due to an empty slot.

PROVIDER SOLUTION: County gives two weeks of paid notice like any other client whether or not the client uses the service AND the client absences are not counted against the provider in attendance policies.

HENNEPIN COUNTY RESPONSE: Hennepin County staff agreed that the provider could be paid for the 2-week period that the provider was entitled to notice. It is not clear whether this would be considered as absences against the attendance policies.

6. PAYMENT FOR PART TIME CARE

ISSUE: While authorizing part-week care, Hennepin County will not pay a provider's part-week rate that incorporates a part-time surcharge, particularly if the adjusted rate is higher than the maximum daily full time rate.

IMPACT: Part-week care usually results in less revenue per slot for the provider, made up by a part-week surcharge. The provider loses revenue by accepting part-week clients.

PROVIDER SOLUTION: County pays what private fee-paying clients pay and adjusts maximum rate if necessary.

HENNEPIN COUNTY RESPONSE: Hennepin County staff agreed that the provider could bill at a higher part time rate, but only if it is under the maximum rate.

7. TIMING OF PAYMENT TO PROVIDERS

ISSUE: County pays centers monthly after care is received, unlike other clients. Family child care providers are paid every 2 weeks.

IMPACT: Centers have serious cash flow problems.

PROVIDER SOLUTIONS:

1. County guarantees payments within 14 days of billing

or

2. County pays fee for late payment beyond 14 days

and

Provider charges the County a rate based on knowledge of after-the-provision-of-care payments, private-fee paying advance payers receive discount, and the maximum rate is adjusted.

HENNEPIN COUNTY RESPONSE: Hennepin County staff maintained that the response time was now under a week. They stated that contract agents have and will continue to respond quickly and "walk" the reimbursement through if a center is facing a serious cash shortage.

XI. RECOMMENDATIONS

CHILD CARE CENTERS

1. Child care centers should be required by funding sources to achieve a higher level of organizational development and supported to that end. It is a reasonable expectation that centers have boards of directors and develop organizational and fiscal management knowledge and systems that provide them the capacity to adapt to existing realities and maximize scarce resources. Centers should have an annual budget, monthly income and expense statements, balance sheets, and an audit at least every two or three years to provide to funders upon request. Funders should be able to require a two or three year business plan that projects the center's contingent futures and how the center plans to balance revenue and expenses, evaluating their current delivery of service systems.

Organizational development is going to take considerable support. Without the "carrot" of support and the "stick" of requirement, organizational development will not happen. It is difficult to overstate the lack of organizational quality the Inner City Directions Project found while conducting the Organization Health Analyses. Some centers may not be able to achieve a higher level of organizational development. These should be encouraged to merge, form consortiums, or otherwise change organizationally to meet required standards for funding support.

NOTE: This acknowledgment of child care center weaknesses should not be construed as a promotion for Head Start, the public schools, or a "new system" to start providing all day education/care services. Head Start and the public schools both have organizational development needs of their own. The significant strengths of the current child care delivery system, driven by parent choice, include: parent involvement, multicultural, racial and ethnic providers, neighborhood based services, and many examples of programs which, because of their access to special funding support are, able to deliver developmentally appropriate early education for the children in their care.

2. Centers and family providers receiving financial subsidies should be required to meet a higher level of quality standards and supported to that end. Programs should be required to adopt a plan for achieving accreditation through the National Association for the Education of Young Children or the National Family Child Care Association in a two-four year period. In the short term, centers and homes should be required to have available for parents a "truth in child care" statement and a parent satisfaction/parent evaluation survey, results of which are available to funders (to be developed by support agencies).

SUPPORT AGENCIES

1. The Greater Minneapolis Day Care Association and the Southside Child Care Committee should offer on a permanent basis: consultation, training and technical assistance that support the organizational development required of centers and family providers: financial management, long range planning, computerization, board/director development. This requires moving beyond program or administrative workshops towards the provision of consultations and direct or brokered services such as financial, marketing and computer services or accreditation consultation.

2. The Greater Minneapolis Day Care Association and the Southside Child Care Committee should initiate and support processes, particularly in their role as a channel for CDBG and facility funds, that encourage or require centers and family child care providers to consider organizational change and new relationships between organizations.

HENNEPIN COUNTY

1. Hennepin County should work with providers to establish a cost of care rate for inner city child care centers and family child care providers. This is essential if centers are to provide the service level necessary to insure that "at risk" children receive the basic education/care they need and that recognizes the higher costs for providers to stay in business.

2. Providers who serve subsidized families must be able to do so with fee policies that reflect sound financial management:

   a. Enforceable requirement of notice.
   b. Payment based on use of the full value of a slot.
   c. Payment based on enrollment rather than attendance.
   d. Payment recognizing the additional cost of serving part-time clients.

3. Hennepin County, in coordination with providers and support agencies should develop the idea of Neighborhood Family Service Centers with special service grants for centers either fulfilling a special role in a neighborhood or offering services to parents or children beyond basic education/care. A basic principle which should guide the provision of services to parents and children is when at all possible to provide services at the child care site.

4. Hennepin County should explore using their bonding authority to provide facilities grants and loans to purchase and renovate child care facilities.

FOUNDATIONS AND THE UNITED WAY

1. Foundations and the United Way should endorse, fund, and advocate for child care providers, both centers and homes, as the early education/care system for children whose parents are in work or training.

2. Foundations and the United Way should support the organizational development of child care centers through the "carrot" of grants and the "stick" of requiring higher standards of management as a requisite for funding.

3. Foundations and the United Way should support centers efforts to explore new service patterns, new affiliations with each other, and other efforts to create more stable organizational structures.

4. Foundations and the United Way should continue to fund support services to inner city child care programs to enable centers and homes to provide family support services on site.

5. Foundations and the United Way should fund initiatives to help enable child care programs to become accredited through the National Association for the Education of Young Children.

CITY OF MINNEAPOLIS

1. The City of Minneapolis should continue allocating CDBG funds to inner city centers and family child care providers as well as responding with emergency funding to the fluctuations in demand from County subsidized clients. The city should also investigate new revenue sources (sales tax, etc.) to support grants for inner city children's education/care. However, the City should require management and program standards for all funding and should provide support to this end.

2. The City of Minneapolis should continue to fund the child care infrastructure through grants and loans for capital improvements and through technical assistance for purchasing and renovating sites.

3. The City of Minneapolis should work with the child care support agencies serving the inner city (Greater Minneapolis Day Care Association, Southside Child Care Committee, Child Care Resource Center) to make sure that the child care needs of neighborhoods are incorporated in the City's long range neighborhood revitalization effort.

4. The City of Minneapolis should provide information and leadership to encourage greater participation by the business community and cooperation/coordination from other systems involved with young children (Health Department, Parks and Recreation, Public Schools, Head Start).

STATE OF MINNESOTA

1. The State of Minnesota should work towards fully funding the waiting list for child care subsidies which would do the most to stabilize inner city centers.

2. The State of Minnesota should allow family child care providers to include caring for their own children in the child care tax credit program. This would compensate providers for care they are providing and recognize their loss in income from the slots their own children use.

3. The State of Minnesota should raise the maximum State Sliding Fee reimbursement rates from 110%-125% to 135% of median market rates tied to increases in staff wages and benefits. This would allow providers to improve the quality of services through increasing staff stability and competency. The Federal guideline for child care reimbursements connected to welfare reform of 75% of the median market rate would depress rates, force some providers to discontinue service and negatively impact the quality of care children receive.

4. The State of Minnesota should increase the drop off point for the State Sliding Fee allowing rates to rise to reflect more accurately the costs of education/care while providing low/moderate income families continued access to the system. By putting more money in the system, staff and provider compensation could be increased, positively impacting the problems of high staff turnover and lack of qualified people entering the field.

5. The State of Minnesota should continue to address parent information on choosing quality child care as well as the quality and availability of services through state development grants for resource and referral, start up, renovation and training.

RELIGIOUS COMMUNITY

1. The religious community should address documented local needs for increased supply by providing free or low cost space.

2. The religious community should increase participation in partnerships with inner city centers and family child care providers.

3. The religious community should increase the community's awareness of young children's needs for early education/care as well as child care programs' economic dilemma in trying to serve low income families with what should be an expensive education/care service.

APPENDICES

A. PROPOSAL FOR SPECIAL REIMBURSEMENT RATE FOR CENTERS SERVING "AT RISK" INNER CITY CHILDREN AND THEIR FAMILIES 27

B. RESULTS OF THE INNER CITY DIRECTIONS FAMILY CHILD CARE SURVEY 32

C. TOOLS DEVELOPED TO ASSESS ORGANIZATIONAL HEALTH 33

D. SUMMARY OF THE RSULTS OF THE ORGANZIATIONAL HEALTH ASSESSMENTS 41

E. SUMMARY OF THE FINANCIAL HEALTH ASSESSMENTS 44

APPENDIX A

PROPOSAL FOR A SPECIAL REIMBURSEMENT RATE FOR CENTERS SERVING "AT RISK" INNER CITY CHILDREN AND THEIR FAMILIES

The following proposal developed with input from thirteen inner city child care center directors outlines the needs and the services which make providing basic education/care in inner city neighborhoods more costly than the current subsidy reimbursement rates.

WHAT IS BEING PROPOSED?

The proposal is for a special, higher rate per child for Hennepin County subsidized children who are served by qualifying inner city centers because of the higher cost of providing child care in the inner city due to the higher percentage of difficult to serve families and at risk children. This special rate would be set at 125% of the median rates of the qualifying inner city programs, surveyed as a separate "like service" group.

The services which exceed the "average" market services include better than licensing minimum ratios, adequate administration, and staff incentives and training for working with an "at risk" population. These necessary services make inner city child care more expensive for basic early education/care than the average market in other areas of the County. (Services detailed below)

WHAT PROGRAMS WOULD QUALIFY FOR THE SPECIAL INNER CITY RATE?

To qualify for the special inner city rate:

* Half of the center's families must be low income (Low income is defined as below 60% of the State median income)

and

* The center must be providing services equivalent to those detailed in this proposal.

WHY IS A DIFFERENT RATE NEEDED FOR SERVING INNER CITY FAMILIES?

- The current maximum child care reimbursement rates from the County are based on child care services for an "average" market - not the services needed to provide basic education/care for the inner city families.

- The State Child Care Fund allows counties to reimburse rates up to 125% of the county's median rate. However, the median rate is set by surveying all "like" programs in the County. The proposal for a higher inner city rate is based on the need for a different service level than is provided by centers outside the inner city. To arrive at what the median rate for this service would be, only centers qualifying would be surveyed as a separate group. The maximum reimbursement rate for these qualifying inner city centers would be set at 125% of the median of that group's rates.

We are using this approach in addressing this problem because in a center which serves primarily a low income population, the administrative costs needed to deal with transiency, family crises, and the daily struggles to pay for needed services are higher. Also, a growing percentage of children in the inner city are delayed in their physical, emotional and cognitive development because of the deprivations of poverty. Typically, 1/3 or more of the children enrolled at inner city centers are considered "at risk" or are County designated special needs which affects every child in the center. In order to acheive the same basic level of education/care for each child, all of the children will be in groups with lower than licensing ratios and a more stable staff who have training for working with this specialized population.

This proposal should not be confused with the current Hennepin County system of providing special needs coordinators to selected centers. Many, though not all, inner city children need the special needs programming and therapeutic services provided by these special needs coordinators, including screening and assessing children, developing Individual Development Plans, handling referrals, modeling teacher interventions, communicating with parents, etc. What this proposal addresses are the basic sevice levels and higher costs of providing education/care in the inner city.

RECOMMENDED SERVICE LEVELS

Various combinations of the following service levels are recommended for providing basic education/care for "at risk" inner city children and low income families:

1. Better than licensing minimum staffing ratios: *
   - Infants - 1:3
   - Toddlers - 1:5
   - Preschool - 1:8
   - Schoolage - 1:12

* Centers with more supports in another dimension may be able to acheive the desired level of education/care with slightly higher ratios.

2. Adequate administrative and program support. For programs of 60 - 100 children, this includes a full time director and a second administrative support position (assist. director, parent coordinator, special needs coordniator), half time secretarial/bookkeeping support, a yearly outside audit and janitorial services. It also includes paid, out-of-ratio planning, conferencing, referral, and networking time for head teachers and preparation and meeting time for all teaching staff.

3. Highest competitive wages for staff to decrease staff turnover and to attract more qualified staff. The following wages are suggested for an inner city center serving 73 children:
   - Director (with child development, management, and supervisory background) - $28,000/yr
   - Head Teacher - $9.00/Hr ($18,000/yr)
   - Assistant Teacher - $7.50/Hr ($15,600/yr)
   - Child Care Aide - $5.50/Hr ($11,440/yr)

4. Training for working with "at risk" children to increase the educational impact of the program. The budget for staff development in the sample center is approximately $400 per year for a full time staff person. This includes training for licensing requirements as well as additional in service training and courses taken at other institutions.

RATIONALES FOR SERVICE LEVELS

RATIOS: A higher proportion of inner city children have trouble adjusting to being in early childhood settings. Under minimum State licensing, staff ratios are: infants - 1:4, toddlers - 1:7, preschool - 1:10, and schoolage - 1:15.
The Federal Interagency Day Care Regulations for federally funded programs set in 1972 (and abolished in 1980) included staffing ratios of:

Infants - 1:3
Young Toddlers - 1:4
Older Toddlers - 1:5
Preschool - 1:7

Many inner city programs are already staffing at ratios which are better than State minimums for one or more age groups in their programs. The resultant higher staffing costs, when teaching staff costs typically account for 50-70% of center budgets, places an unmanageable strain on their finances.

ADEQUATE ADMINISTRATIVE RESOURCES: Families in the inner city experience the daily, grinding effects of poverty including struggling with the basics of housing, food, transportation, and medical care, with the additional crimes and violence related to drugs and gangs. The fluctuation in child care subsidies is but one of the ongoing skirmishes in inner city parents battle for self sufficiency. Centers must have the administrative resources to deal with constant turnover in families, frequent family crises, and referrals to other support agencies in addition to maintaining good communication with parents who often don't have cars or phones. Inadequate administrative support undermines programs' ability to improve their funding, coordinate with other agencies, and manage the complexities of serving the inner city population.

HIGHEST COMPETITIVE WAGES: Staff compensation is too low at current fees to attract qualified personnel and retain experienced teachers to work with a difficult to serve population. As a result, the critical quality component of stable, consistent staff suffers. Staff turnover, which has grown to over 40% a year, hurts all programs but it is especially harmful for "at risk" children who typically have experienced many upheavals and instability in their lives. Achieving any lasting impact from training is also hampered by high staff turnover.

STAFF TRAINING: Inner city centers which have been on a precarious financial edge have not provided adequately for staff training and development. Research studies show that training in early childhood development and developmentally appropriate teaching practices is critically important for providing quality education/care, especially for low income children. The added chalenge of caring for a number of "at risk" children requires specialized training for many staff.

The Following Budget is based on providing the services detailed above. The costs of this program are significantly higher than the current maximium reimbursement rates from Hennepin County. This budget is included for informational purposes to demonstrate real costs of education/care for inner city children. Because programs vary in terms of size, outside subsidy, etc., this budget is based on an average sized center which receives no special subsidy other than the basic food program allocation and modest parent fundraising.

This sample program has the following parameters:

TOTAL CHILD CAPACITY OF PROGRAM: 73

TOTAL ANNUAL BUDGET: $506,743.99

ANNUAL UTILIZATION RATE: 89% (11% Vacancy Rate)

TOTAL TEACHING STAFF FTEs: 16.77

TEACHER COMPENSATION:	HEAD TEACHER	ASSIST.TEACHER	C.C.AIDE
Average Salary	$9.00	$7.50	$5.50
Fringe Benefits	15%	15%	15%
Vac. & Sick Days	24	24	17

Age Group:	Infants	Toddlers	Preschool	Schoolage
Capacity	9	20	32	12
Staff Ratio	1:3	1:5	1:8	1:12
Weekly Cost	**$236.27**	**$170.26**	**$129.35**	**$107.40**
Weekly Fee (Cost-Subsidy)	**$226.94**	**$160.93**	**$120.02**	**$98.07**
Yearly Fee	**$11,800.88**	**$8,368.36**	**$6,241.04**	**$5099.64**

Current Maximim reimbursement rates from Hennepin County:

	Infants	Toddlers	Preschool	Schoolage
Weekly	**$142.25**	**$114.90**	**100.50**	**$96.60** (Kind.) **$93.45**

*Weekly costs and fees were generated using the Child Care Modeling Program developed by Dr. Steven Sternberg of the University of Michigan.

INNER CITY EARLY EDUCATION/CARE PROGRAM BUDGET

ANNUAL INCOME:

TYPE	AMT/YEAR	
Fees (includes Fee Subsidies)	475,243.99	
Food Program Subsidy	30,000	
Fundraisers	1,500	
TOTAL INCOME		506,743.99

FIXED AND VARIABLE EXPENSES:

TYPE	AMT/YEAR	
Rent/Mortgage/Utilities	35,500	
Building Repair/Maintenance	5,000	
Janitorial	9,200	
Insurance	8,000	
Telephone	2,000	
Office Supplies,Copying,Postage	4,200	
Food & Cook	44,680	
Paper Supplies	4,000	
Bad Debt	3,000	
Educational Supplies	17,350	
Staff Training/Development	6,000	
Adver./Promo	950	
Vehicle & Related Expense	4,450	
Recruiting ads	1,500	
Loan Payments	3,000	
DED. EXP. SUBTOTAL		148,830

ADMINISTRATION:

Director	28,000	
Other Admin. Support	22,880	
1/3 time Secretary	5,198	
Accountant (contracted)	3,000	
Fringe Benefits	15473.921.922	
ADMIN. SUBTOTAL		64,551.92

TEACHING EXPENSE:

Wages	245,249.75	
Fringe Benefits	36,787.46	
Substitutes	11,324.86	
TEACHING SUBTOTAL		293,362.07

TOTAL ALL EXPENSES 506,743.99

APPENDIX B.

INNER CITY DIRECTIONS FAMILY CHILD CARE SURVEY RESULTS

A telephone survey of family child care providers in the city of Minneapolis was conducted by Inner City Directions staff from May 10, 1990 through May 30, 1990. The purpose of the survey was to determine what, if any, effect county policies and procedures had on the availability of family child care for county-subsidized children.

A total of 38 providers in three separate categories (description follows) were randomly selected by the Child Care Information Network from a total of 435. Categories consisted of eleven providers who had never been contracted to provide care for county-subsidized children; seventeen who were currently contracted; and ten who were contracted formerly but had not renewed their contracts.

Of the 11 providers who were never contracted, eight felt that the county policies and procedures had no effect on their business; the other three were unaware of county policies and procedures. Five of them, or nearly half, were not able to say whether or not they were satisfied with county policies and procedures because they knew little or nothing about them, but the other six reported being satisfied with county policies and procedures.

Seventeen currently contracted providers were interviewed. Only two of them limited the number of subsidized children they were willing to take. In one case, the provider named county procedures and paperwork as the obstacle to taking more; the other mentioned difficulty working with the type of families involved. Five of the seventeen contracted providers felt that the county rate policies affected their business negatively; they could earn more income from unsubsidized families. Eight of the seventeen felt that the eligibility policies affected their business negatively, and several opined that the policies were unfair to families, and arbitrary. Two of seventeen were unaware of what the eligibility policies were. Four of the seventeen providers felt that the county payment procedures affected their business negatively. Seven of the seventeen were generally dissatisfied with county policies and procedures.

Finally, ten formerly contracted providers were interviewed. Three stated county rate policies had negatively affected their business; two stated eligibility policies had a negative effect; and two felt that county payment procedures had a negative affect. A total of five of the ten were dissatisfied with county policies and procedures, and several of them mentioned that as the specific reason they had no difficulties with county policies and procedures, two of them felt subsidized families were more difficult than other families to work with; three volunteered that they could not afford the additional insurance required to serve subsidized families.

In summary, thirty-four percent of the providers in the survey expressed dissatisfaction with county policies and procedures. Twenty-nine percent of those presently or formerly contracted had experienced negative effects on their business due to county rate policies; thirty-seven percent's business had suffered due to eligibility policies; and twenty-two percent's had suffered due to payment procedures.

These findings have significant implications for the availability of care for subsidized families in the city of Minneapolis. It is clear that the county has an opportunity to positively affect the quality of life for families in need of subsidized care, by creating policies and procedures that are consistent with state regulations, county management and that meet the needs, not only of the families, but also of the providers waiting to serve them.

APPENDIX C.

ORGANIZATIONAL HEALTH ANALYSIS FOR CHILD CARE CENTERS

CENTER QUESTIONNAIRE - ORGANIZATIONAL AND PROGRAM

CENTER_____ DIRECTOR _____
PHONE #_____

Please fill this out as accurately and honestly as you can. The questionnaire will be followed up with an interview so don't worry about having to make long explanations or comments.

I. ADMINISTRATIVE MANAGEMENT AND LEADERSHIP

1. Director Information:

Years with program 0-1___ 1-2___ 2-3___ 3-5___ 5+___
Years as Director 0-1___ 1-2___ 2-3___ 3-5___ 5+___
Past Administrative Experience 0-1___ 1-2___ 2-3___ 3-5___ 5+___

Education: College/Votech _____
Degree/yrs_____ Major/Focus_____
Specialized Administrative training?:
_____
_____

How long do you anticipate staying on the job:
years - 0-1___ 1-2___ 2-3___ 3-5___ 5+___

II. OTHER KEY INDIVIDUALS - STAFF AND PARENTS

1. Are there staff or parents who might be considered organizational leaders?

Name_____ Role_____
Years with the Center 0-1___ 1-2___ 2-3___ 3-5___ 5+___
In what areas do they exercise leadership? (Circle)
Supervision Get others involved
Motivate/Inspire Organize
Example of commitment Example of professionalism

Name_____ Role_____
Years with the Center 0-1___ 1-2___ 2-3___ 3-5___ 5+___
In what areas do they exercise leadership? (Circle)
Supervision Get others involved
Motivate/Inspire Organize
Example of commitment Example of professionalism

Name_____ Role_____
Years with the Center 0-1___ 1-2___ 2-3___ 3-5___ 5+___
In what areas do they exercise leadership? (Circle)
Supervision Get others involved
Motivate/Inspire Organize
Example of commitment Example of professionalism

2. If the Director left, are there possibile internal candidates to succeed him/her? Yes____ No____

IV. STAFF

1. Staff Composition

A. Number of staff? #_____ Number of core staff you feel are committed to the center? #____

B. Number of staff/number of years with program:
0-1 years_____ 1-2 years_____ 2-3 years_____ 3-5 years_____ 5+ years___

2. Staff turnover:

A. Number of permanent staff leaving program in 1988 _____ 1989 _____

B. Best guess, number of permanent staff leaving program in 1990 _____

V. ENROLLMENT/MARKET POSITION

1. Current situation - Jan 1, 1990

# of children	_____	
# County Central Eligibility	_____	%Total children _____%
# Special Needs	_____	%Total children _____%
# State Sliding Fee	_____	%Total children _____%
# PAF	_____	%Total children _____%
# CDBG	_____	%Total children _____%
# Other subsidy	_____	%Total children _____%

2. Waiting Lists

A. Do you have a waiting list right now of children WITH FUNDING for any age group openings? Y/N____

Group _____ # of openings _____ Group _____ # of openings _____
Group _____ # of openings _____ Group _____ # of openings _____

B. Do you have a waiting list of families waiting to get subsidy to enter YOUR program? Y/N _____ How many children? _____

3. Past Enrollment. Look over your enrollment records back to 1988 and list the number of children enrolled at each time listed below:

October 1, 1989	#children _____	# subsidized children _____
July 1, 1989	_____	_____
April 1, 1989	_____	_____
January 1, 1989	_____	_____
October 1, 1988	_____	_____
July 1, 1988	_____	_____
April 1, 1988	_____	_____

4. How many families have been with the center 2 or more years? _____

10. How strong is current parent commitment. What percentage of parents would leave if:

Fees increased? _____% of fee paying parents
Staff turnover increased? _____% of all parents
Staff layoffs? _____% of all parents

VI. ORGANIZATIONAL HISTORY

A. How long has the center been in business? _____

B. Has the center had to adapt to changing demands in child care the past five years? Please check all that apply:

Expanded slots ___ Reduced slots ___ Restructured age groups ___
Changed client groups/children ___ Changed use of facility ___
Relocated ___ Restructured administration/organization ___
Restructured fees/charges ___ Restructured teaching staff ___
Restructured program/curriculum ____

C. Has the center a history of stability - political, leadership, financial, reputation?
Comments:_____

VII. COMMUNITY RELATIONSHIPS

1. List community agencies, organizations, associations, groups, Businesses, Schools, or Churches in your service area that you have a SIGNIFICANT relationship with (e.g. referrals to or from, exchange services or information, etc.)

Organization	Primary Contact Person

APPENDIX D

ORGANIZATIONAL HEALTH ANALYSIS FOR CHILD CARE CENTERS

STAFF/PARENT/COMMUNITY INTERVIEWS

DATE_____

ENTER_____

AME_____PHONE_____

AGENCY/ROLE_____

ELATIONSHIP TO CENTER: _____
ROLE/LENGTH _____

1. ADMINISTRATIVE MANAGEMENT AND LEADERSHIP

. What is your perception of the center leadership?

A. Director:

B. Other Staff:

C. Parent or Board

2. What is your perception of the center's administrative management?

3. Who are the key individuals important to the center's future?

BEST COPY AVAILABLE

I. ENROLLMENT/MARKET POSITION

Do you have any views on improving enrollment? Expanding to different eighborhoods, income groups, ethnic groups, special needs?

II. ORGANIZATIONAL HISTORY

Has the center adapted to changing demands in child care? Comments:

Has the center a recent history of stability - political, leadership, nancial, reputation? Comments:

III. COMMUNITY RELATIONSHIPS

1. Is the center perceived to be an important part of the community?

2. Is the center well connected to other community institutions?

3. Does the center have a reputation as a good child care program?

4. What would be the consequences if the program closed?

5. What if the program merged with another organization?

BEST COPY AVAILABLE

4. STAFF OVERALL + n -

Core staff committed to the center? #_____ + n -
Average years with center _____

Staff turnover rate? + n -

Staff qualifications? + n -

Ability to recruit new staff? + n -

Comments:

5. MARKET POSITION OVERALL + n -

Current situation ____
# of children
County Central Eligibility ____ %Total children ____%
Special Needs ____ %Total children ____%
State Sliding Fee ____ %Total children ____%

PAF ____ %Total children ____%
CDBG ____ %Total children ____%
Other subsidy ____ %Total children ____%
subsidized client waiting list ____

Past Enrollment
#children October 1, 1989 ____
July 1, 1989 ____
April 1, 1989 ____
January 1, 1989 ____
October 1, 1988 ____
July 1, 1988 ____
April 1, 1988 ____

Core group of families with the center 2 + years? + n -

Areas/neighborhoods the center draws families from: + n -

Potential geographic areas: + n -

Comments:

BEST COPY AVAILABLE

5. MARKET POSITION (CONTINUED)

Income groups the center draw families from: Potential Increase?

Low-income	- USDA category A	_____%	_____%
Moderate income	- USDA category B	_____%	_____%
Middle income	- USDA category C	_____%	_____%

Comments: Geographic draw + n -

Ethnic groups in clientele: Potential Increase? + n -

Black	_____%	_____%
White	_____%	_____%
Asian	_____%	_____%
Indian	_____%	_____%
Other	_____%	_____%

Comments:

Special sources of clients - colleges, training programs, employers, schools, churches:

Potential special sources of clients - colleges, training programs, employers:

Comments: Special clienteles + n -

Current parent commitment + n -

6. COMMUNITY SUPPORT OVERALL + n -

Is the center perceived to be an important part of the community?
Comments: + n -

Is the center well connected to other community institutions? Comments:
+ n -

Does the center have a reputation as a good child care program? Comments:
+ n -

7. ORGANIZATIONAL HISTORY OVERALL + n -

How long has the center been in business? _____

Has the center adapted to changing demands in child care? Comments:

Has the center a history of stability - political, leadership, financial, reputation? Comments:

8. FACILITY OVERALL + n -

Is the facility a significant positive or negative factor? Comments:

Possibility for adaptation? Comments:

9. LOCATION OVERALL + n -

Is the location a significant positive or negative factor? Comments:

Possibility for relocation? Comments:

10. PROGRAM OVERALL + n -

Potential for change to improve utilization

- quality
- special needs
- restructure age breakdowns
- increase ratios
- increase program size

APPENDIX D

ORGANIZATIONAL HEALTH ANALYSIS FOR CHILD CARE CENTERS

2/90

	CP	CC	CL	EL	GM	LC	LP	NE	NRT	NS	PAS	PY	SA
	--	--	--	--	--	--	--	--	---	--	---	--	--
MIN MGMT & LEADERSHIP	+	+	+	+	N	+	-	-N	+	+	-	N+	+
rector	+	+	+	+	N	+	-		+	+	-	N	+
Other	+	+	-	+	+	+	+	N	+	+	-	+	+
otential for Succession	+	+	-	+	+	+	+		+	+	-	+	+
RGANIZATIONAL SYSTEMS	+	N	N+	N+	N+	+	+	+	+	N	N	+	+
Fiscal Management	+	+	-	N+	+	+	+	+	+	+	+	+	+
rsonnel	+	+	+	+	+	+	+	+	+	+	N	+	+
rketing	-	-	N	-N	-	N	N	N+	-	N	-	+	-
Program Quality Control	+	N	+	+	+	+	+	+	+	N	-N	+	+
ARD OF DIRECTORS	+	N	N	N+	-N	N	?	+	+	-	+	N	N-
Composition	+	N	N	N+	-	N		+	+	-	+	N	N
tability & Commitment	+	N	N	N+	N	N		+	+	-	+	N	N
ganizational Support	+	+	N	-	N	N		+	+	-	+	N	N
STAFF	+	N	N+	N+	+	N	-	N	+	N	-	N+	N+
re Staff	+	+	N	+	+	N	-	-	+	+	-	N	+
# Core Staff	6/-	9/-	3-4/-	7/-	8/-	?	0	4/17	26/32	15/-	2/-	10/16	16/-
Staff turnover rate	+	-	N	N	+	N	-	N	+	N	N	N	N
taff Qualifications	+	+	+	+	+	+	+	+	+	N	+	+	+
ility to recruit	N	-	+	N+	+	-	N	N	N	N	-	+	N
MARKET POSITION	N	-	-	-	-	N	+	-	N	-	-	+	-
rrent situation													
# of children/# licensed	17/24	16/48	24/29	33/-	35/55	112/-	76/84	69/95	125/137	48/69	27/-	45/-	50/-
# County Central Eligibility		10-67%	8-33%	14-43%	14-	71-63%	26-32%	17-24%	93-74%	15-31%	20%-	22-49%	20-40%
# Special Needs	3-18%		2-8%	1-		24-21%	15-19%		11-9%	25-52%		6-13%	25-50%
# State Sliding Fee			2-8%	1-	1-	5-4%	6-7%	5-7%	4-3%	2-4%		8-18%	3-6%
# PAF					1-	1-	2-2%	5-7%	2-2%	1-2%			1-2%
# CDBG	2-12%		9-37%	11-34%		6-5%		5-7%	8-6%	1-2%	1%-	1-2%	
# Other Subsidy	12-70%			6-		21-19%	3-5%	37-53%	7-6%	4-8%		7-18%	1-2%
# Subsidized waiting list	0	20				?	0	10	48	24	2	10	
st Enrollment						N/A							
Oct 1, '89---# on subsidy	14-14		27-24	35-	53-22		39-		126-120	68-63	19-16	50-49	42-
July 1, '89---# on subsidy	21-21	41-40	26-24	23-	71-26		80-	86-51	120-115	73-67		50-50	54-
April 1, '89---# on subsidy	24-24	43-43	28-24	42-	85-30		84-	87-42	137-132	77-66		35-35	67-
Jan 1, '88---# on subsidy	24-24	45-45	25-19	43-	85-27		84-	84-43	128-122	69-54			65-
Oct 1, '88---# on subsidy	23-23	46-46		49-	78-23		65-	79-33	137-131	70-53			
July 1, '88---# on subsidy	20-20	45-45		23-	71-21		45-	83-34	117-111	65-55			
April 1, '88---# on subisidy	24-24	45-45		23-	75-26			90-36	137-131	70-65			
Core group of Families	+	+	+	+	+	N/A	+	+	N	-	N/A	N/A	N
reas center draws from	N	N	N	N	N	N	N	+	N	-	N	N	N
otential geographic areas	N	N	-	-	N	+	+	+	N	N		N	N
ncome groups center draw from													
USDA - A Potential increase	25-50%	90%-	60-50%	71%-	32%	80%-	72%-	29-40%	81%-	86-50%	98%-?	90-75%	98%-
USDA - B Potential increase	50-50%	5%-	16-20%	24-15%	25%	8%-	28%-	30-30%	11%-	4-25%	2%-?	8-10%	2-20%
USDA - C Potential increase	15-0%	5%-	23-30%	5-15%	43%	12%-		40-29%	8%-	10-25%		2-15%	
Geographic draw	+	N	-	-	N	N	+	N	N	-	-		N

BEST COPY AVAILABLE

hnic groups in clientele	N	N	N	N	N	N	N	N	N	N	N	N	N
lack Potential increase	20-40%	20%-	51-50%	56%	41%-	97%-	57-60%	10-5%	85%-	90-0%	80%-	45%-	88%-
hite Potential increase	80-60%	10%-	41-40%	33-10%	52%-	2%-	28-30%	70-(-15%)	5%-	6-60%	12%-	3%-	12-25%
Asian Potential increase		50%-	1%-	15%-		1%-	1-5%	5-5%	5%-	2-20%			
ndian Potential increase			8-10%	11-15%	2%-		1-5%	15-5%	1%-	2-20%	2%-	50%-	
ther Potential increase		20%-			5%-		13-		4%-				
ecial clienteles	-	N	N+	N	N+	N	N	N	N	N	-	+	-
rrent parent commitment	+	N	-N	+	+	U/K	-	+	+	N	N	+	N
OMMUNITY SUPPORT	+	+	+	N+	+	+	+	+	+	+	+	+	+
rceived as important part	+	+	+	N	+	+	+	+	+	+	+	+	+
ell connected	+	+	+	N+	+	+	+	+	+	+	+	+	+
Good Reputation	+	+	N+	N+	+	+	+	+	+	N+	N	+	+
GANIZATIONAL HISTORY	+	+	-N	N	+	+	+	N	+	-	-	N	+
Years in Business	15	5	17	18	10	20	15		19	19	mos.	10mos	18
apted to demand changes	Y	y	Y	Y	Y	Y	Y		Y	Y			Y
story of Stability	Y	y	N	?	Y	Y	?	N	Y	?	N		Y-
ACILITY	-	+	-	-	N	+	+	+	+	-	+	+	+
JCATION	-	+	-	+	+	+	+	+	+	-	+	+	+
ROGRAM	+	N	N	N	+	+	+	n	N	N	N	+	N

BEST COPY AVAILABLE

INNER-CITIES DIRECTIONS FINANCIAL INFORMATION SUMMARY CHART

5/18/98

	CC	CL	CP	EL	GM	LC	LP	NRT	NS	PAS	SA
Current Liabilities	N/A	3876	N/A	8442	14342	N/A	N/A	14984	25638	N/A	64584
Projected 1998 Operating Deficit		6488+	24982	0	63894	55281+	59977	76744	5986	4380	958
Projected Vacancy Rate	43.68%	17.24%	0%	14.8%	45.16%	1.56%	0%	21.79%	32.82%	19.7%	8.21%
$Rates, $Cost/Child, %Rate/Cost											
Infants	28,32,62.5%					28,34,83.4%		28,45,63.5%		26,27,99.2%	28,30,95.0%
Toddlers	16,21,77.7%					23,22,184.4%	23,31,75.1%	23,30,76.4%	22,34,65.5%	22,24,88.5%	23,23,99.0%
Preschool	12,13,98.3%	28,31,62.6%	19,35,54.8%	20,21,95.4%	17,28,60.2%	20,19,188.1%	20,28,78.7%	20,24,83.6%	19,19,97.6%	19,18,103.6%	20,19,183.9%
Kindegarten				15,20,58.1%	15,20,75.6%	19,17,114.5%	19,20,96.2%	19,21,90.1%	13,22,56.5%		
Latchkey		20,16,119.2%		10,	12,18,67.0%			14,17,83.8%	13,16,76.6%		
Release Days				20,	17,			19,	19,		
Transportation											
$ Admin/ Support Cost	42320	29306	57894	23604	62464	107777	20653	101732	79547	32710	93857
% Admin/ Total Expense	23.1%	21.4%	27.4%	18.4%	31.0%	14.5%	4.5%	12.0%	28.7	25.6%	23.7
$ Total Fee Income	98000	122215	114456	104000	122652	742271	346716	518589	228921	111542	333398
% Total Fee Income/Total Expenses	53.6%	89.1%	54.9%	81.7%	60.9%	100%	74.8%	61.3%	82.6%	78.2%	85.9%

APPENDIX E